

TO WHITING WILLAUER, SHANGHAI, CHINA

FROM: C. L. CHENNAULT, WASHINGTON, D.C.

DATE SENT: July 29, 1946 8.p.m.

BILL ARRIVED. NEGOTIATIONS ALMOST COMPLETE ON XRAY FINANCING AND MANAGEMENT CONTRACT BUT AGREEMENT TRANSMITTED INADEQUATE TO PROPOSED BACKERS BECAUSE

1. OBLIGATION TO AMORTIZE EQUIPMENT APPEARS TO BE EFFECTIVE IMMEDIATELY THEREBY CONSTITUTING DRAIN ON REVENUES AGAINST WHICH MANAGEMENT AND OPERATING PERSONNEL SHOULD HAVE PRIORITY. SHOULD HAVE OPTION TO COMMENCE AMORTIZATION NOT EARLIER THAN SIX MONTHS FROM DATE EQUIPMENT BEGINS OPERATION. 2. AGREEMENT APPARENTLY GIVES CHINESE FORD PRIORITY ON BACK HAUL CARGO. THIS PRIORITY MUST BE ELIMINATED. 3. AGREEMENT SHOULD MAKE IT PERFECTLY CLEAR THAT ORIGINAL COMMITMENT INCLUDES EVERYTHING NECESSARY FOR AIRLINE OPERATION INCLUDING FUNDAMENTAL GROUND EQUIPMENT QUARTERS PERSONNEL AND THAT TWELVE PLANES MEANS ENOUGH PLANES TO INSURE CONTINUOUS TWELVE PLAN OPERATION THAT IS EIGHTEEN. IN VIEW OF LONG TERM DOUBTS CREATED BY PRESS HEADLINES ABOUT CIVIL WAR COMPLIANCE WITH THESE CHANGES NECESSARY PRIOR MEETING HERE ON THIRTY FIRST

CHENNAULT

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APPROVED FOR
RELEASE DATE:
29-Sep-2009

F.N.#54